

MEMORANDUM

NATIONAL SECURITY COUNCIL

SECRET

ON-FILE NSC RELEASE INSTRUCTIONS APPLY

September 21, 1973

MEMORANDUM FOR: MR. KISSINGER

FROM: Helmut Sonnenfeldt

PROCESSED I/AW ON-FILE TREASURY  
LETTER

SUBJECT: Your Meeting with Foreign Minister  
Scheel, September 25

MORI/CDF  
C05077905

DOS review completed.

He will want to talk about the Year of Europe and the President's trip, especially in light of current reports that it has been postponed till next year. I assume you want to take the same line with him as with the other Europeans.

You may want to bear in mind, however, that Scheel is among the optimists and in public has been alluding to the major success of the Copenhagen meeting and the favorable prospects for the President's trip.

On the three declarations, Scheel was quite favorable last summer, and he also talked with you about the ad hoc summit. If you decide to keep up pressures for an ad hoc summit, or a chapeau declaration, Scheel could be an ally. On the other hand, Brandt is under continuing and mounting pressure because his Eastern policy is stalled, and another round of dispute with the French following the Chirac affair may not go down very well in Bonn. In any case, it is important that you talk with Scheel on MBFR and burden sharing/offset.

MBFR

The German government is badly split on the question of linkage between any first and second stage of reductions and MBFR is becoming another domestic political issue (Tab A).

--The Foreign Ministry would settle for a very tenuous link and not press for any specific Soviet commitment to the second stage. They reason as we did, that cutting national forces is dangerous.

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-- The Defense Ministry under Leber, ably assisted by Schmidt, want a very specific commitment from the Soviets that there will be a second stage, and that it will include the Bundeswehr in reductions. The Defense Ministry reasons that domestic political and financial pressures can only be contained if there is a firm guarantee that Germany will share in reductions. Additionally, some hope to use MBFR to stimulate the restructuring of the Bundeswehr to a smaller but more mobile striking force.

Scheel has indicated he will discuss it with you.

Your position:

-- We need to be extremely careful not to define for the Soviets exactly what the West will reduce without determining what the Soviets might do.

-- In the initial round of talks, we will put forward the common ceiling and press the idea of two stages to reach the ceiling.

-- We are not prepared to make a Soviet agreement to a precise common ceiling the precondition for beginning negotiations in the first phase of Soviet-American reductions.

-- As that progresses we can determine how firmly to insist on a Soviet commitment to a second stage and common ceiling.

-- If there is a second stage, it will inevitably include the Bundeswehr because the US could not take a very much larger cut than we now propose.

Offset-Burden Sharing

The Germans are very cool to multilateral burden sharing, because they fear that they will be required to make even greater payments for our forces.

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At present it appears that the German government has decided that it cannot meet the 80 percent offset of the last agreement. Bonn will propose roughly the same figure as the last agreement, but include a large Bundesbank credit, in addition to the hard offset.

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The net result, if this view prevails, is that we will (a) have a long drawn out struggle with the Germans and inside this government, (b) the outcome will be regarded as another token of European disinterest in helping us alleviate our economic problems, and (c) poisons the atmosphere for multilateral burden sharing. (If Jackson/Nunn passes Congress and is not vetoed, we would have to reduce forces to the degree there is not 100% offset.)

### Your Position

-- Emphasize to Scheel that the Congress will regard offset and multilateral burden sharing as a test of partnership.

-- Congress is beginning to understand the details of offset and will be very critical of soft offset, i.e., credits and loans.

-- Remind him that even Senator Jackson is sponsoring an amendment linking troop levels to offset.

-- If MBFR is the short run defense against unilateral cuts the long run defense is in moving toward a multilateral offset in which all the Alliance participates.

-- Of course, we would not expect a greater German contribution to the multilateral effort than they would make to the bilateral offset.

### Ostpolitik

The Foreign Minister might want to talk about the stalemate with Prague on the question of Berlin representation. The issue is that the Czechs insist that Bonn cannot provide consular representation for Berlin corporations or other Berlin institutions as opposed to persons and that this interpretation is consistent with the Four Power agreement.

-- He may ask for our help, and on this issue we ought to be ready to blast the Czechs for deigning to interpret our agreement. (The Soviets of course, are behind this and using it to pressure Bonn on the CSCE and economic credits.)

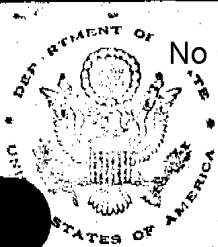
Tab A - Recent Report on MBFR

Tab B - Sonnenfeldt/Odeen Memo on Offset

Tab D - State Briefing Material

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# Department of State

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ACTION PM-07

INFO OCT-01 EUR-25 ISO-00 ACDA-10 AEC-11 IO-13 CIAE-00  
H-03 TNR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01  
SPC-03 SS-15 USIA-15 NEA-10 TRSE-00 MBFR-04 SAG-01  
DRC-01 DMR-01 OIC-04 /161 W

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FM AMEMBASSY BONN  
TO SECSTATE WASHDC PRIORITY 7506  
SECDEF WASHDC PRIORITY  
INFO AMEMBASSY LONDON  
EMBASSY PARIS  
EMBASSY ROME  
AMEMBASSY BRUSSELS  
AMEMBASSY THE HAGUE  
USMISSION NATO BRUSSELS PRIORITY

C O N F I D E N T I A L BONN 13529

E.O. 11652: GDS  
TAGS: PARM, NATO, GW  
SUBJECT: MBFR; CDU/CSU OPPOSITION ATTACKS "U.S. PRESS  
LEAKS"

REF: (A) STATE 184990, (B) BONN 13500

1. SEVERAL NATIONAL GERMAN NEWSPAPERS--DIE WELT,  
THE FRANKFURTER RUNDSCHAU, THE SUEDEDEUTSCHE ZEITUNG  
AND THE GENERAL ANZEIGER--HAVE CARRIED EXTENSIVE  
REPORTS OF SEPT 18 PRESS CONFERENCE OF CDU/CSU  
OPPOSITION DEFENSE SPOKESMAN MANFRED WOERNER, WHO  
SEVERELY CRITICIZED THE U.S. FOR LEAKING SECRET ALLIED  
MBFR NEGOTIATION PROPOSALS. ACCORDING TO THE GERMAN  
PRESS REPORTS, WOERNER SAID THESE ALLEGED AMERICAN  
ACTIONS COULD NOT BE "EXCUSED OR JUSTIFIED," EVEN IF  
MOTIVATED BY THE WISH TO COMBAT MANSFIELD PRESSURE IN

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THE SENATE. WOERNER SAID THE ALLEGED U.S. LEAKS HAD WITHOUT DOUBT DAMAGED NATO, WHOSE UNITY HE SAID WOULD BE MADE IMPOSSIBLE IF OTHER ALLIES WERE TO FOLLOW THE AMERICAN EXAMPLE. WOERNER ASKED "HOW EXACTLY WOULD IT BE POSSIBLE TO HAVE SUCCESSFUL NEGOTIATIONS IF THE SOVIET UNION IS INFORMED FROM THE VERY START OF U.S. VIEWS?". WOERNER CONTINUES "ONE MUST ASK HIMSELF WHAT INTEREST MOSCOW SHOULD HAVE IN NEGOTIATIONS IF THE IMPRESSION INCREASINGLY DEVELOPS THAT THE U.S. HAS DECIDED ON A TROOP REDUCTION IN ANY EVENT AND INTENDS TO USE THE MBFR NEGOTIATIONS ONLY AS A CAMOUFLAGE."

2. THE GENERAL ANZEIGER FRONT-PAGE REPORT BY WOLF BELL STATES THAT GERMAN GOVERNMENT SOURCES WERE MAINTAINING A "RESTRAINED POSTURE" WHILE PRIVATELY INDICATING CONCERN OVER THE PRESS REPORTS. BUT BELL CITES GOVERNMENT SOURCES AS PRIVATELY SHARING WOERNER'S CONCERN THAT THE USG WAS LEAKING THE MBFR PROPOSALS TO BEAT BACK CONGRESSIONAL PRESSURE, TO PRESS EUROPEAN PARTNERS TO ACCEPT U.S. PROPOSALS, AND TO BRING BONN UNDER PRESSURE IN THE CURRENT OFFSET NEGOTIATIONS. BELL ALSO CITES GOVERNMENT AND OPPOSITION SOURCES AS BEING CONCERNED OVER ALLEGED U.S. READINESS TO DROP THE CONCEPT OF "BALANCE" IN NEGOTIATIONS WITH THE SOVIETS.

3. THE WELT STORY BY VON RAVEN ADDS FURTHER DETAILS TO PREVIOUS GERMAN PRESS REPORTS. IN PARTICULAR, RAVEN REPORTS ON U.S./U.K. DISPUTE OVER COMMON CEILING/COMBAT CAPABILITY STANDARD AND GERMAN DESIDERATA CONCERNING LINKAGE BETWEEN THE TWO PHASES OF THE NEGOTIATIONS AND THE NATURE OF BUNDESWEHR INCLUSION IN THE PROCESS. RAVEN, WHO HAS TRADITIONALLY HAD EXCELLENT DEFENSE MINISTRY SOURCES, EMPHASIZES THE FRG WISH TO BE CLEAR ON THE MANNER OF BUNDESWEHR INCLUSION FROM THE OUTSET OF THE MBFR NEGOTIATIONS.

4. AS INDICATED REFTEL, FONOFF AND DEFENSE MINISTRY OFFICIALS ARE INCREASINGLY DISTRESSED BY THE PROLIFERATION OF INCREASINGLY DETAILED PRESS REPORTS AND INDICATIONS THAT THESE REPORTS ARE BEING CONFIRMED FROM WASHINGTON SOURCES. FONOFF MBFR CHIEF RUTH EXPRESSED

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CONCERN TO EMBOFF SEPT 19 THAT DETAILED PARLIAMENTARY  
QUESTIONS ON PRESS REPORTS WERE BOUND TO FOLLOW SHORTLY  
ON THE HEELS OF OUTSPOKEN PUBLIC CRITICISM BY WOERNER.  
HILLENBRAND

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INFORMATION  
September 20, 1973

MEMORANDUM FOR:

DR. KISSINGER

FROM:

PHIL ODEEN/IAL SONNENFELDT

SUBJECT:

Balance of Payments Offset  
Negotiations

The bilateral balance of payments offset negotiations with the FRG started this week (Monday, September 17) with Under Secretary Casey heading the U. S. delegation.

The BOP offset question is becoming increasingly large in the Congressional European troop debate this fall:

-- Secretary Schlesinger has promised in testimony full coverage of the roughly \$2.5B potential deficit (the last agreement covered less than half).

--- Jackson-Nunn have introduced an amendment which would make troop reductions proportional to the military BOP deficit. It looks as if this will be very hard to beat.

This memo brings you up to date on both the prospects for the bilateral negotiations with the FRG, the ongoing efforts to get a broader multi-lateral agreement including contribution from all the allies, and suggests ways you can help in overcoming some problems we are encountering, namely:

-- Treasury's intransigence and refusal to recognize that offset has a critical political component as well as an economic importance.

-- The failure of the State Department bureaucracy to back the multilateral initiative.

You will recall that the original NSDM 214 signed in May (Tab A) called for:

-- A new effort aimed at a multilateral offset covering as much as possible of the BOP costs (\$2.5-\$3.0) as well as all of the additional budgetary cost of keeping our troops in Europe rather than in the U. S. (\$440 annually).

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-- Renegotiation of the bilateral agreement with the FRG as a parallel effort. The bilateral agreement would ultimately be folded in with the multilateral arrangement once the multilateral arrangement was formed.

An order of priority was established for the various actions which the allies could take to reduce our BOP deficit.

First priority was given to actions covering the additional budgetary costs of keeping the troops in Europe rather than the U. S. (e.g., FRG payment of land taxes for our bases, local civilian hire costs, etc.). These actions also reduce the BOP deficit.

Second priority was given to actions such as military procurement, which compensate for the BOP outflow but do not cover budget costs.

Finally, loans to the Treasury were to be included but only if interest rates were below market rates or subsidized by the FRG as they had been in the past.

It was agreed that loans would not be introduced until the other "hard" portion of the offset had been negotiated. In response to FRG inquiries, the negotiators would skirt the issue and take the line that we were interested in a "hard" offset.

Although they did not disagree to including loans in the agreement during preparation of the NSSM study, Treasury's position has hardened and they are now insisting that all loans are economically and politically worthless. This, of course, reflects the Treasury's fixation on the economic purposes of the offset agreement and failure to recognize that offset agreements are valued in Congress despite their lack of economic value.

Loans have little economic value and they should not be introduced early in the negotiations since this would erode chances of getting maximum value for "hard" offset actions. However, we cannot afford to refuse to include loans at all -- especially in view of Schlesinger's statement and the Jackson-Nunn agreement. Secretary Schlesinger has talked with Shultz several times on the need to soften the Treasury position and your support is needed.

#### The Multilateral Offset Initiative

In calling for a new multilateral effort, we did not expect that a sophisticated payments union could be created but that a system in which each ally would

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contribute to a common fund covering only U.S. costs, would be within reach. This sort of limited multilateral scheme still looks feasible.

We wanted NATO to take the lead in coming up with the exact plan. A study group was formed within the NATO Eurogroup to do the ground work and Rumsfeld gave the effort maximum support in the NAC and in private. He and his staff drew up an ambitious action plan in Europe coupled with high level political support in Washington. Meanwhile, the NATO staff is working on an individual basis with NATO countries to get an estimate of their contribution.

According to Rumsfeld, budgetary relief from the multilateral effort of about \$75M-\$100M is possible (almost double the last bilateral effort) and significant BOP relief may be attainable.

The State bureaucracy predictably has been dragging their heels largely because they believe a multilateral push would detract from the bilateral agreement.<sup>1/</sup> For example, they objected to Rumsfeld's plan to visit individual NATO capitals to discuss burdensharing issues and a presentation to the NAC of the specific offset actions we have in mind. Now State wants to hold back on the multilateral effort until the bilateral agreement has been negotiated. We see no reason for this. In fact, loss of the little momentum we now have would put the entire initiative in jeopardy.

During his recent visit to Washington, Rumsfeld complained of a lack of political support from Washington. Except for the dialogue on the Hill, there has been little publicity given the effort since your original Year of Europe speech. To pick up the sagging momentum, a high-level political push is needed.

In addition to your role, Schlesinger and Rush should be urged to provide the political support for this effort that Rumsfeld believes is needed. This could include greater pressure on NATO ambassadors here in Washington, more public statements, etc.

cc: Chuck Cooper  
Larry Eagleburger

<sup>1/</sup>At first, State argued that if we pressed for a multilateral agreement the FRG would become vulnerable to claims by other NATO countries who also have small BOP deficits with the FRG. We should, therefore, soft peddle the multilateral negotiations until the new agreement was signed. These concerns were not borne out in practice.

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BRIEFING PAPER

FEDERAL REPUBLIC OF GERMANY

BILATERAL BRIEFING PAPER

Foreign Minister and Vice Chancellor  
Walter Scheel, Chairman, Free  
Democratic Party (FDP)

Addressed as: Mr. Minister

Our Objectives

- to move outstanding bilateral issues, such as offset, toward successful resolution

Their Likely Objectives

- to give you a personal appraisal of the September 10-11 meeting of the EC Foreign Ministers
- to discuss matters relative to US-West European relations

1. OFFSET

Points You Might Make

- A. Early conclusion this fall of a new high quality offset agreement with the FRG is essential.

FACTS

- the last offset agreement, covering FY '72 and '73 expired June 30.
- we need help from our allies, especially the FRG, if we are to meet Congressional criticism of our military balance of payments deficit and pressures for unilateral force reductions.

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- the German negotiator, Ambassador Hermes, met with Under Secretary Casey on September 18 and 19 for the first round of talks leading to a new agreement.
- Mr. Casey will meet with Hermes again in Bonn the first week in October.

Points Scheel Might Make

- A. While the FRG has contributed to the cost of maintaining US troops in Europe in the past, and will in the future, it is not able to cover the complete cost of these troops in the offset agreement.

FACTS

- the last Offset Agreement covering FY '72 and '73 provided for offset totalling \$2.036 billion: \$1.2 billion in military procurement, and \$0.65 billion in financial transactions, \$0.186 billion in troop facilities rehabilitation.

US POSITION

- The total balance of payments cost for the next two years (ca \$3.4 billion) of maintaining US troops in Germany should be covered in the offset agreement.
- B. If total offset is to be achieved, a loan by the FRG to the US will be necessary.

FACTS

- it is not likely that we can achieve complete offset in hard, high quality items such as military procurement and absorption of local costs by the FRG.

US POSITION

- Loans have no lasting balance of payments effect, except for their interest factor. Congress shares this opinion.

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## 2. US-GDR RELATIONS

### Points You Might Make

- A. We have made no decision on when to open substantive talks in Washington with the GDR on the establishment of bilateral relations. We have repeatedly stressed to the GDR that our Embassies must open simultaneously. Tactically, we consider the GDR to be the demandeur. We feel under no pressure to push ahead with substantive negotiations.

### FACTS

- following an initial meeting with representatives of the GDR UN Observer Mission in Washington on August 9, we sent an administrative team to East Berlin to inspect future chancery and residential property. A GDR administrative team has been similarly occupied in Washington.
- property shown to us in East Berlin would require extensive renovation and could not be occupied in the immediate future. The GDR administrative team is considering several possible sites in Washington.

### Points Scheel Might Make

- A. Express appreciation for US keeping FRG informed of developments in this area and outline FRG plans for opening its representation in East Berlin.

### FACTS

- FRG-GDR negotiations on the exchange of permanent representations are stalled on the question of accreditation.

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- the GDR insists that the respective representations be accredited in the same manner as Embassies (with credentials presented to the head of State), whereas the FRG wishes the accreditation to be to the office of the head of government.

### US POSITION

- we have stayed out of FRG-GDR controversy.

### 3. EASTERN POLICY

#### Points You Might Make

- A. Underline US support for the FRG's efforts to obtain a sound understanding with Czechoslovakia, Bulgaria and Hungary which will permit the FRG to afford effective consular services on behalf of West Berlin.

#### FACTS

- West German negotiations with Prague, Budapest and Sofia are stalled because of the consular representation issue.
- the Four Power Agreement on Berlin permits the FRG to represent Berlin "residents" abroad, but the East Bloc countries have argued that this does not include West Berlin authorities such as courts or corporations.

#### Points Scheel Might Make

- A. Request us to approach the Soviets, Czechs or other on the question of Berlin consular representation.

#### FACTS

- we have already explained our position to the Czechs.
- an approach to the Soviets could only successfully be undertaken if there were UK and French participation.

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US POSITION

- we are willing to consider this action in the Bonn Group in order to be as helpful as possible to the FRG.

4. CONVENTION ON PROTECTION OF DIPLOMATS

Points You Might Make

- A. We hope that the FRG will support the adoption of the Convention on Protection of Diplomats in this General Assembly. (See Background paper for details.)

FACTS

- the International Law Commission's draft convention has been submitted to the Legal Committee of the General Assembly.
- discussion of the Convention may begin in the General Assembly as early as the week of October 1.

Points Scheel Might Make

- A. While the FRG generally favors adoption of such a convention, it has technical difficulties with the present draft.
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US POSITION

- we think that the Convention can and should be adopted by this General Assembly.
- we are ready to work out any difficulties the FRG may have with the present draft.

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5. NARCOTICS

Points You Might Make

- A. Thank Scheel for increased cooperation in the interdiction of international traffic in narcotics. (See Background paper for details.)

FACTS

-- US-FRG cooperation is excellent.

Points Scheel Might Make

None.

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